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STATE FOR WHA/CAN AND ISN, T, NEA, INR, EEB, S/CT, AND INL

E.O. 12958: DECL: 11/04/2018

TAGS: KNNP PARM PREL EFIN CA

SUBJECT: CANADA FULLY SUPPORTS AND HAS ALREADY IMPLEMENTED
FATF GUIDANCE ON IRAN

REF: STATE 115523

Classified By: Eric Benjaminson, Minister Counselor for Economic Affairs, for Reasons 1.4 (b) and (d)

¶1. (S) Summary. Robert Sample, Senior Project Leader, Financial Crimes, Finance Canada, said that Canada's current regulations regarding financial institutions' (FI's) transactions with Iranian entities are in line with USG and FATF recommendations and are quite onerous on Canadian institutions. Sample explained that Canadian laws and regulations already accomplish most of the preventative measures outlined in reftel paragraph four. Canada is very interested in the U.S. proposal for a coordinated G7 statement and looks forward to learning more about this proposal. End Summary.

¶2. (S) Sample, upon hearing points in reftel, said Canada fully supports the FATF statements on Iran. Canada, he said, hosted the FATF intercessional that accomplished much of the groundwork for these statements. Sample believes that Canada's regulations governing financial transactions with Iranian individuals and entities are more onerous and more effective than most other regulatory systems, with the exception of the United States. Canadian law prohibits financial transactions with specific Iranian individuals and entities as well as the financing of shipments to Iran of certain goods. The lists of entities and goods are in line with relevant United Nations Security Council Resolutions. Furthermore, Sample said that although Canadian banks operating in Canada are under no legal obligation to follow USG due diligence regulations, all of Canada's major banks do so.

¶3. (SBU) Canada is sensitive to FATF guidance, according to Sample, and responds immediately to FATF recommendations. In February the GOC warned financial institutions of the increased risk of financial transactions involving Iranian entities and highlighted the required due diligence. In response to the FATF statements on October 17 the Office of the Superintendent of Financial Institutions instructed Canadian FIs to treat all transactions with Iranian entities as potentially suspicious.

¶4. (S) Sample explained that preventive measures A, B, C, D, and G in reftel are already covered by Canadian laws and regulations. Referring to measures E and F, Sample said that Canada would deal with an Iranian Bank or FI request to establish an office, form a joint venture, or purchase a controlling stake in an other firm in Canada on a case-by-case basis. Sample said that anti-money laundering concerns would be a key issue in any such application and he

does not see how an Iranian institution could clear the regulatory hurdles for such an application to be approved. He commented "off the record" that about five years ago Canada rejected Iranian Bank Melli's application to open a Canadian subsidiary.

¶ 5. (SBU) Canada supports working towards a G7 consensus with regard to financial sanctions on Iran and looks forward to learning more about the U.S. proposal for a coordinated statement on steps taken by G7 countries to implement preventative measures in response to the FATF statement.

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